



**CALIFORNIA
HEALTHCARE
ASSOCIATION**

*Providing Leadership in
Health Policy and Advocacy*

November 17, 2003

Dear Members of the California Delegation:

On behalf of our nearly 500 member hospitals, the California Healthcare Association (CHA) urges your support for the provider provisions contained in the conference report on the *Medicare Prescription Drug and Modernization Act of 2003*. The following is an outline of the key provisions important to California hospitals and the patients they serve.

MEDICAID DSH

Safety-net hospitals across the state are very pleased with the inclusion of critical funding for relief from the drastic payment reductions in the Medicaid disproportionate share hospital (DSH) program. The provision in the conference report is very similar to that of the House-passed version and will go a long way toward protecting California's fragile health care safety net which is dependent on a complex combination of local, state and federal funding. The funding in the conference report would restore several hundred million dollars to safety-net providers in California over the next 10 years.

MEDICARE INPATIENT PAYMENTS

CHA is pleased to see the conference report contain a full market basket update for all hospitals in fiscal year (FY) 2004. Further, hospitals participating in the voluntary Quality Initiative will also receive a full market basket update in FY 2005-2007. With more than 58 percent of hospitals in California losing money treating Medicare beneficiaries, and all hospitals facing costly federal and state unfunded mandates, these updates are vital to hospitals as they struggle to meet staffing, seismic and privacy compliance requirements, while enhancing their ability to respond to a disaster.

INDIRECT MEDICAL EDUCATION

CHA appreciates the improvements to funding for indirect medical education (IME) payments to teaching hospitals. California teaching hospitals have lost \$34.8 million in IME payments this fiscal year. These hospitals not only train the next generation of physicians, but also provide a significant share of the care to the underserved population and deserve to be compensated fairly.

FUNDING FOR EMERGENCY HEALTH CARE SERVICES FOR UNDOCUMENTED IMMIGRANTS

The conference report also includes a provision to would provide much-needed funds for hospitals treating the highest volume of undocumented immigrants. While it is the federal government's responsibility to patrol and secure the boarder, it is the state and local governments that must cope with the consequences, financially and otherwise, when illegal immigrants enter the United States. Hospitals, burdened with large unpaid bills for care

provided to undocumented immigrants, face a financial squeeze that threatens their ability to continue to provide care to community residents. The funds in the conference report will offer California's hospitals along the border much need relief.

RURAL PROVIDER RELIEF

CHA supports the numerous rural provider relief provisions included in the conference report including the provisions to end the current inequities in the standardized payment amount and Medicare DSH payments. Improvements in flexibility and payments for rural and critical access hospitals will help stabilize rural health providers and healthcare delivery in their communities.

"NICHE" PROVIDERS

Finally, CHA is pleased to see a good first step toward maintaining the viability of community hospitals by preventing niche providers that do not offer a broad array of services; do not treat the sickest or uninsured patients; and threaten the financial stability of full-service community providers. The 18 month moratorium, in conjunction with the two studies, is an important start in protecting full service hospitals as a valued resource in their communities.

CHA urges you to support these issues of critical importance to California hospitals and the patients they serve. Please do not hesitate to contact me or Anne O'Rourke in CHA's Washington, D.C., office at (202) 488-4494 if CHA can be of further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Duane Dauner". The signature is fluid and cursive, with the first name "C." being small and the last name "Dauner" being larger and more prominent.

C. Duane Dauner
President